



A.I. Marine Adjusters, Inc.

175 Water Street, 14th Floor
New York, New York 10038
Tel. #: 212-458-6513
Fax #: 212-458-6520
E-Mail: Susan.Smith3@AIG.com

December 7, 2007

Mr. Joseph Dombrowski
Dombrowski & Sorensen
670 North Clark
Chicago, Illinois 60610

RE: M/V "LE VIPER"
Hull Number: 726611
Insured: Green Dragon Trading Company
Policy Number: YM 583-93-22
Date of Loss: November 18, 2007

Dear Mr. Dombrowski:

We have received the 11/19/07 Notice of Loss regarding the above referenced incident wherein the "LE VIPER" sustained an engine systems failure resulting in the ingress of sea water into the engine spaces. This loss has been reported to have occurred off the coast of Fort Lauderdale, Florida on November 18, 2007. Please be advised that the investigation of this loss is being handled under a full reservation of rights. New Hampshire Insurance Company and its representatives are and will continue to investigate without prejudice under the above captioned policy and reserve all rights and defenses under the said policy of insurance as fully and completely as if we had refused to take any steps whatsoever in the investigation as set out above. For your ready reference, we enclose a copy of the policy for your review with the Declaration Page.

Our present understanding is that the failure in the engine room which caused the ingress of sea water was due to the wear and tear, gradual deterioration and/or corrosion of various fasteners on the raw water feed pipe outboard of the starboard engine. We would direct your attention to Section "A" 10(b)(2) relating to "causes of loss that are not covered"

"Any wear and tear, gradual deterioration, weathering, inherent vice, insects, animals, vermin, mold, marine life, electrolytic or galvanic action, corrosion, dampness of atmosphere, gelcoat or fiberglass blistering, wet or dry rot, or extremes of temperature;"

More specifically, should it be determined that this loss was caused by one of the excluded causes, there will be no coverage for any hull/machinery damage or salvage claim under this policy arising out of this incident.

We would also direct you to Endorsement # 5 entitled "Mechanical Breakdown Exclusion"

"It is agreed and understood that this policy does not cover any loss or damage to the yacht's engines, generators, outdrives and running gear (referred to herein as "Propulsion Machinery") resulting directly or indirectly, in whole or in part, from any of the following causes of loss whether such causes directly or indirectly cause, contribute to or aggravate the loss; or occur before, at the same time or after the loss; or whether other causes act concurrently or in any

sequence with the excluded cause:

- a) *mechanical breakdown*
- b) *latent defect*
- c) *defect, weakness, inadequacy, fault or unsoundness in:*
 - 1) *design, specifications, workmanship, construction;*
 - 2) *materials used in construction or repair;*
 - 3) *or maintenance;*

of any Propulsion Machinery.

However, we do insure for anything resulting loss caused by items a - c unless the resulting loss is itself excluded from coverage. All other terms and conditions still apply."

The above listed exclusions are not exhaustive of all possible exclusions applicable to the present claim and are subject to further investigation.

We would also point out that under the general conditions and exclusions of the insuring agreement under paragraph 7 "Cooperation With Us," you must cooperate with our investigation including providing any requested documentation and parts and preserving and keeping safe all components related to the engine system which failed.

Further to our investigations, we request that you provide us with copies of all documentation reflecting or establishing that all remarks and recommendations as set forth in the May 23 and 24, 2007 survey by Slahkoff, Stahl, Gordon & Associates were complied with as reflected in your October 23, 2007 correspondence to Maritime General Agency.

Please note that New Hampshire Insurance Company expresses and reserves all, and does not waive any, of its rights, whether or not mentioned above, under the policies, law, public policy or law of equity. Nothing hereto for or herein set forth should be construed as an admission on the part of New Hampshire Insurance Company in connection with this claim, or as a waiver, estoppel, or modification of any of the Policy and/or contract terms, exclusions, privileges, powers and conditions, and of New Hampshire Insurance Company's rights, remedies and defenses remain reserved, whether expressly mentioned herein or not.

Should you have any questions regarding this correspondence or any other matter relevant to this claim, please do not hesitate to call us.

Very truly yours,

Susan Smith
Regional Hull Manager
Marine Claims Department

CC: International Special Risks, Inc. – Attn: J.P. Williamson
Fax# 781-246-7830